

Rules of the Roth IRA Payroll Deduction Plan

- Non-deductible contributions are combined with tax-free earnings, resulting in tax-free retirement distributions.
 - Earned income equal to or greater than contribution is required.
 - \$2000 maximum contribution per individual per year.
 - \$2000 per individual is the combined limit for all IRAs (Education IRA not included).
 - \$2000 spousal account contribution is allowed regardless of earned income (\$4000 per married couple).
- Investment earnings accumulate tax-free.
- Contributions (principal) may be withdrawn tax-free and penalty-free at any time.
- Qualified distributions of earnings are penalty-free and tax-free after **5 years** for any of the following:
 - Account holder reaches age 59^{1/2}
 - Death of account holder causes distribution to beneficiary.
 - Account holder becomes disabled.
 - Account holder takes distribution for a first time home purchase.
 - \$10,000 Maximum.
 - Distributed for post-secondary education expenses. This type of distribution will be penalty-free, but account earnings will be taxed.
- General rules:
 - Adjusted Gross Income limit for single taxpayers is \$95k, with limited participation to \$110k.
 - Adjusted Gross Income limit for couples is \$150k, with limited participation to \$160k.
 - Employer plan participation (i.e. 401(k) or Profit Sharing) is allowed without restriction on Roth IRA participation.
 - Taxpayer can delay initial distribution beyond age 70^{1/2} without penalties.
 - Taxpayer can continue contributions beyond age 70^{1/2} with earned income.
 - 5 year waiting period for withdrawal of earnings begins in the tax year when the first contribution is made.